1 APR 1977

MEMORANDUM FOR: Deputy Director for Administration
                      Deputy Director for Intelligence
                      Deputy Director for Operations
                      Deputy Director for Science and Technology
                      Administrative Officer, DCI Area

SUBJECT   : Guidance for Preparation of the 1979 Program

REFERENCE   : DDCI Memo, dtd. 9 March 1977, Same Subject

1. A revision of the schedule transmitted with the referent memorandum is attached (Tab A). Please note specifically that we now plan to distribute the completed Program Review Book to the EAG on 2 June rather than on 13 June, and that you will not get a draft of the Book as previously planned. This change will provide you and your staff a bit more time with the completed book in preparation for the DDCI/EAG review and will enable the Agency to meet the initial schedule for submission of the Agency's 1979 proposed Program to the PRC.

2. I would also like to reemphasize the importance of your five-year projections. While it is true that the primary focus is on the development of proposals for the Agency's 1979 Program, an essential adjunct to this process is the projection of resource requirements and proposals for the out-years. It is becoming increasingly apparent that both the PRC and OMB, during their consideration of our 1979 Program, intend to focus to a far greater extent than in the past on the program levels proposed for the following years. We expect that the external guidance levels provided to the Agency for 1980 may well be influenced by the five-year program projections we are now preparing. Therefore, it is essential that your preliminary plans for the 1980-1983 period, and particularly for 1980, be carefully and thoughtfully developed. You and your component managers are urged to pay particular attention to that portion of the 1979 Program Call (pages 4, 8, and 10-11) which provides guidance for your five-year projections, and to ensure that out-year estimates are fully responsive to the requirements prescribed.

3. Also attached are instructions and formats (Tab B) for the preparation and submission of a zero-base budget for one of your components as referred to in paragraph 5 of the referent memorandum. Central to the ZBB process are "Decision Packages" representing various levels of resources for each program or activity and the prioritizing of such packages by the different levels of management. Although only limited guidance has been made available by OMB to date, we have attempted to

follow the general format and content which we understand will be the basis for the Agency's zero-base budget submission for FY 1979. For the purpose of this initial ZBB effort, we suggest that existing Resource Packages be used as the basis for developing Decision Packages, although some adjustments in levels may be necessary in order to conform with the spirit and intent of the ZBB process. After the packages have been ranked by the component concerned, you are requested to prepare an independent ranking based on your evaluation of the data provided in support of the component's ZBB submission. We ask that the completed ZBB presentation, to include basic Decision Package data, Decision Unit summaries, component ranking of packages, and your ranking of the same packages, be submitted in two copies to this Office by 11 May 1977.

4. To ensure the maximum degree of uniformity between directorates in the preparation and submission of zero-base budgets, a meeting will be held in Room 4E05 at 0900 on 11 April 1977 to discuss the ZBB process, to elaborate on and further explain submission requirements, and to answer any questions. We suggest that representatives of your Directorate budget/planning staff and of the components selected to prepare a zero-base budget be asked to attend.

5. It is our intention to include the results of the zero-base budget submissions as a part of the internal Agency Program Review Book. This will afford Agency management with a preview of the ZBB system and the process which will be used for developing and presenting Agency programs and budgets beginning with the OMB budget this fall.

6. The various initiatives being undertaken by the President directly, and by him through OMB relative to position levels, suggest we should be taking a very serious look at the positions in each Resource Package and specifically at the impact of progressive reductions on our Program. The 1979 Program submissions will provide a preliminary assessment of the impact of possible position reductions insofar as they address minimum levels for 1979 which are below current levels. There are indications, however, that the Administration will recommend revised ceilings, not only for 1978 but also for 1977, which will be even lower than the minimum level you have been asked to address in your 1979 Program submission. Further, OMB Bulletin 77-7 indicates that such revised ceilings will be established "by early April," well in advance of the availability of your Program submissions. Assuming that the DCI will want to appeal any reduction in the Agency's position ceiling, we must be prepared to submit to OMB, probably on relatively short notice, a detailed assessment of the impact during 1977 and 1978 of any position reduction below our current ceiling. Toward this end, you are requested to begin developing data necessary to support such an appeal. The data should include the identification of activities and programs which would be curtailed or eliminated through progressive reductions with a thorough assessment of the impact on your capacity to fulfill your responsibilities and on the Agency's overall mission where appropriate. Your response should be as concise and to the point as possible, with each activity or program identified for possible curtailment or elimination discussed on a separate page in two

parts. First, a brief description of the specific activity or program involved including the number of positions which would be reduced and an indication in percentage of the magnitude of the change. Second, an assessment of the impact of the reduction. For this purpose, it is not enough simply to say that production will suffer or that operations will be less effective or efficient. You should state as precisely and forcefully as possible what we are doing now that you will no longer be able to do and what the impact of the discontinuance will be on your product and customers.

7. An important adjunct to our appeal will be a discussion of the new requirements and activities we have had to take on over the past two years without an increase in personnel. This discussion should not only identify the new requirements (e.g., FOIA, PA, oversight burden, FLSA, OSHA, etc.) but should clearly quantify the personnel resources we have had to divert from other activities to carry out such requirements, and should show how such diversions have adversely affected your ability to fulfill your mission-oriented responsibility. Also, our appeal will be strengthened if we are able to discuss shifts in personnel allocations to meet changing intelligence priorities and new program requirements (e.g., to support new collection systems, SAFE, narcotics, terrorism, etc.). This portion of your response also should be as precise as you can make it but a general discussion of not more than one or two pages may suffice.

8. While we do not know when the information requested herein to support an appeal of any proposed ceiling reduction will be required, OMB's stated intention to establish revised personnel levels by early April suggests a degree of urgency. Therefore, we would like to have your response as soon as possible, but no later than 8 April 1977. If this is not practical, please let me know.

STAT

James H. Taylor
Comptroller

Attachments:

Tab A – 1979 Program Submission and Review Schedule
Tab B – ZBB Instructions and Formats

Approved For Release 2004/05/13 : CIA-RDP91M00696R000200060024-3

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